



Making HR Strategic: Integrated Human Capital Management Holds the Key

Leveraging Integrated Human Capital Processes
to Optimize Organizational Success

A SumTotal White Paper

A New Strategic Wave

There is a new wave of thinking about what it means to be strategic, and savvy human resources (HR) executives are leading forward-thinking organizations in integrating human capital management (HCM) to optimize organizational success.

Strategic goals can shift depending on the political climate, business demands, and the changing needs of an organization. However, being strategic means being able to make rapid and informed decisions and take the actions necessary that will enable the entire organization to be successful in the long run.

The current economic downturn has forced organizations to do more with less. Budgets have been cut and headcount reduced, while work loads and expectations have increased. Employees have been forced to do their jobs faster, better, and smarter.

However, if an organization loses an employee it can cost up to 150% of the employee's annual salary to simply replace that individual, let alone the knowledge capital lost. This figure does not take into account the decrease in efficiency and effectiveness of other employees while a position is unfilled or while a new, inexperienced worker gets up to speed. Organizations are realizing that maintaining, nurturing, and retaining their human capital is a strategic requirement that cannot be overlooked.

A Strategy for Long Term Success

Employees hold the organizational knowledge and capabilities to sustain a business. To maintain steady productivity gains and added efficiencies, organizations must look deep into their most important assets – employees – and nurture this talent over the long run.

To achieve this, organizations must take a strategic view of HR data in order to determine performance goals and results, gap analysis, development priorities, provide accurate incentives and rewards for motivation, and identify high potentials and development priorities for succession. While the process of becoming efficient can be unique to each organization, staying efficient is based upon a few basic rules:



- Have the right talent in place and fully trained
 - Correct skill set
 - Appropriately trained
 - Motivated
 - Aware of how their performance and goals drive the entire organization's success
- Nurture talent to limit attrition and prepare for future needs
 - Defined career goals
 - Personalized training paths
 - Potential and gap tracking and analysis
 - Workers compensated in line with performance
 - Detailed succession plans

Integrated HR Information

The concepts are straight forward; hire good people, ensure they are properly trained, and provide motivation to retain the best employees. While these are seemingly simple concepts, implementing them successfully in a complex organization can be difficult. A key to success is having the right information easily accessible in order to make the right decisions.

Many organizations have tried to solve the HR information problem by automating individual processes, such as performance reviews, compensation, or learning management. However, while automating a single process can garner some improvements, it does little to solve more strategic problems.

Automating individual activities creates silos that isolate information from other users and processes. Creating these standalone databases of information is contrary to the fact that to gain a full view of an individual or group requires keen insight into data that spans different activities.



The full profile of an employee cannot be revealed through just a performance review; it can only be seen when all aspects of his or her employment are viewed. A full profile of an employee must include performance reviews, peer reviews, training history, certifications, awards, career path, compensation and rewards, objectives, hiring information, current job description, and any additional information that is important to the specific organization.

The most effective way to truly gain a valid view of employees and organizational efficiency is by creating a single structure that includes key information from all aspects of the HCM spectrum.

A single vendor solution that integrates all the data from multiple HR processes yields multiple benefits. It captures data from individual processes, such as performance reviews, and can relate that data to other processes, such as training needs or compensation. This enables organizations to understand how one process affects another. For example, organizations can compare the effect of a manager taking a leadership training course to improvements in that manager's leadership skills based upon feedback from surveys given to his or her direct reports.

Supporting Integrated Processes

Employees have a lifecycle within an organization. Once hired, performance goals are defined and after a period of time, these goals are reviewed and an employee's compensation could change. Employees could move to a new department or be promoted as they are trained and acquire new skills. All of these events are related and require information from one event to drive another. For example, a goal must be defined if it is going to be measured as part of a performance review, and compensation changes and promotions are, in large part, based upon the results of performance or feedback from peers and direct reports.

In many organizations, the HR department is burdened with the task of manually integrating all this information. In an organization of thousands of people, these tasks can take an entire HR department months to perform even simple processes such as a performance review for each employee. That does not take into account applying the results of those reviews to other processes such as updating each employee's annual goals or scheduling individuals for training.

Each process has data that feeds it and information that it generates. In the HR area, there are many different processes including.

- Recruiting & Hiring
- Performance Management
- Enterprise Compensation
- 360 Feedback
- Learning & Career Development
- Succession Planning

The following sections will outline the application requirements for a successful integrated HCM system, including information that is required for each HR process, what information is output from each process, and the source or destination of each type of information.



Recruiting & Hiring

Talent acquisition, also known as hiring management, helps automate the process of defining a new position, finding the right candidate, and making the hire. Data that is required for this process includes:

Data In	Information Out
Job Requirements	Employee Skills
Necessary Skills	Skill Gaps
Competencies & Behaviors	Employee Goals
Position Goals	Employee Salary & Compensation Schedule
Education Requirements	Review Schedule
	Initial Career Path

Data that feeds the Recruiting & Hiring system can be drawn from a Succession Planning system where the requirements for a specific position are defined based upon the profile of the current incumbent, and a Performance Management system that provides position goals.

Once an individual is hired, the information that is created from that process becomes data for other processes, such as the employee's performance review and compensation schedule.

Performance Management

Performance reviews are part of every employee lifecycle. Information for a performance review comes from the employee's past history, such as their annual goals and compensation plan that were defined at their last performance review. This type of information, in conjunction with the standard assessments, all contribute to the performance review and any associated compensation or training recommendations.

Data In	Information Out
Job Requirements	Performance Review
Employee Goals	Areas of Improvement
Employee Accomplishments	Compensation Changes
Employee Personal Assessment	
Manager Assessment	
Review Schedule	
Current Compensation	

Data can be drawn into the performance review process from Recruiting & Hiring and Enterprise Compensation.



Compensation Management

Today, compensation and incentive management are not simply about base salary and bonus plans for a few executives or sales people. More and more organizations are moving to variable compensation and a pay-for-performance model. Compensation for each employee can range from extra vacation time, to child-care supplements, to complex bonus structures. In addition, compensation changes must reflect performance and be relative to the industry norm or to avoid the risk of losing a talented employee.

Data In	Information Out
Current Compensation	Compensation Change
• Salary	• Salary
• Bonus	• Bonus
• Optional Compensation	• Optional Compensation
Performance Rating	
Industry Salary Range	

Enterprise Compensation can draw data from the Recruiting & Hiring system, as well as performance reviews from the Performance Management system.

360 Feedback

A 360 review reveals an employee's interpersonal skills, management ability, and effectiveness to manage through stressful situations. These types of reviews can add other elements and viewpoints to how a person is measured when being considered for a promotion or a move to a new team or department.

Data In	Information Out
Custom Surveys	Company Climate
Anonymous Feedback	Non-traditional Performance Measures
Flexible Participation	Teamwork Assessments

Unlike the other processes described in this document, there is not much information that the 360 Feedback process requires from other processes. However, as it is an information gathering process, the results from the surveys can feed nearly every HR process in an organization.

Learning & Career Development

Training is a major part of employee development. Specific training needs, whether reading a book, taking a course, or participating in an activity, reflect the needs of the employee. These needs are ascertained and driven through the employee's career development plan. Necessary areas of improvement are derived from traditional performance reviews or 360 Feedback to develop skills to meet the challenges of personal or corporate goals. A learning management system (LMS) coordinates the training materials, registrations, and resources for training as well as an individual's overall learning history.



Data In	Information Out
Individual Training Needs	Updated Skills
Class Descriptions & Schedules	Competency Gaps
Registrations & Wait Lists	• For an existing position • For target positions
	Certification Analysis
	Overview of Corporate Training

In contrast to the 360 Feedback, Learning & Career Development does not drive processes directly, but instead is the recipient of output from other critical HR related processes.

Succession Planning

Succession Planning is gaining significant traction in today's corporations. However, many times it is viewed as a tool for CEOs, presidents, and vice presidents. To be truly strategic, succession planning must be cascaded to all levels of the organization. The following is an example to illustrate the importance of Succession Planning throughout an organization.

A company is working on a major contract for a large customer. The project manager will drive millions of dollars in revenue over the next two quarters. While the project manager is not an executive, he could be the most strategic person in the company for the next three to six months. What if the project manager leaves? Is the organization prepared to replace him smoothly without upsetting the project schedule or efficiency? Succession Planning is necessary for strategic positions no matter what level they are in the organization.

Succession Planning draws from existing incumbent talent profiles and the overall profiles of potential candidates including resumes, skills, training history, certifications, and 360 Feedback results. From there, a list of candidates can be derived with a gap analysis to show the areas that need to be improved to meet the needs of the position.

Data In	Information Out
Position Descriptions	Gap Analysis
Positions Requirements	Candidates
Incumbent Descriptions	Educational Plans
Potential Candidates	
Talent Profiles	
• Training	
• Competencies	
• Performance Reviews	
• Peer, Manager and Direct Report Reviews	

Succession Planning must draw from nearly all aspects of the HCM spectrum so as to accurately analyze a potential succession candidate.

A View From The Top

The key to being strategic is to view the entire situation from a high level. This strategic viewpoint provides executives insight into critical HR information in real-time and provides answers to strategic questions from anywhere in the organization. For example, the CEO is concerned that the organization is losing senior leadership due to retirement, and that is causing the company to lose its corporate knowledge base. How can this issue be resolved?

Strategic HR Answer

While there's not much an organization can do to stop leaders from retiring, there is a way for strategic HR executives to mitigate the effects of the problem. The first step is to limit the scope of the question. If there is a problem with retiring leadership, limit the span to a reasonable period of time, in this case two years. Using that scope, a report can be generated from the centralized HCM system. The goal is to find the best possible replacement for an executive that will retire in the next two years to ensure smooth transition of knowledge and leadership.

In this example, it is vital to note that the report is not only drawing from the Succession Planning information, but is also relating the employee's performance review information that is stored in the same system.

From Reviews

ZEPHYR INDUSTRIES			
Retirement Schedule with Successors January 2010 to December 2010			
Name	Targeted Retirement Date	Title	
Jim Phillips	12/31/05	Senior Director of Development	
Successor	Title	Potential	Performance
Gail Reynolds	Development Manager	High	High
Peter Jacobs	Sr. Development Manager	High	Med
Jill Simons	Sr. Development Manager	High	Med

From Succession

Name	Targeted Retirement Date	Title	
Karen Given	6/1/05	VP of Marketing	
Successor	Title	Potential	Performance
Mark Orr	Director of Marketing	High	High
Viv Taylor	Sr. Marketing Manager	Med-High	High
Jill Tanner	Marketing Manager	High	Med
Name	Targeted Retirement Date	Title	
Rudy Cramer	3/1/06	Sales Manager	
Successor	Title	Potential	Performance

This is only one example of how integrated human capital data can impact an organization's ability to be successful in the long run. Other examples include assessing data to make informed decisions that can determine the effectiveness of specific training courses, the overall performance of a division or business unit, or how to limit attrition as the economy improves.

Conclusion

Being strategic ensures that you not only have the best team working efficiently today, but that you have the necessary information easily accessible at your desktop to plan for the future when an employee moves to another department, gets promoted, or leaves the company. Having a complete view of the entire employee lifecycle – enabled with a centralized, integrated HCM platform – provides executives the information and the tools they need to ensure that they have the most efficient teams in place to achieve success.

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About SumTotal

SumTotal Systems, Inc. is the global leader in complete talent management software that enables organizations to more effectively drive business strategy. Recognized by industry analysts as the most comprehensive talent management solution, SumTotal provides full employee lifecycle management, including a core system of record, in a single software platform for improved business intelligence. The company offers customers of all sizes and in all industries the most flexibility and choice with multiple purchase, configuration, and deployment options. With more than 1,800 customers and 25 million users worldwide, we have increased the performance of the world's largest organizations including Sony Electronics (NYSE: SNE), AstraZeneca (NYSE: AZN [ADR]; London: AZN), Amway, GKN (London: GKN), and Seagate (NYSE: STX). For more information, visit www.sumtotalsystems.com

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